

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT TACOMA

SHIVA STEIN, Individually and on Behalf of  
All Others Similarly Situated,

No.

VS.

Plaintiff,

BARRETT BUSINESS SERVICES, INC.,  
MICHAEL L. ELICH, and JAMES D.  
MILLER,

## Defendants

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

## JURY TRIAL DEMANDED

Plaintiff Shiva Stein, by and through her attorneys, allege the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based on, among other things, her counsel's investigation, which includes without limitation (a) review and analysis of regulatory filings made by Barrett Business Services, Inc. ("BBSI" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by BBSI; and (c) review of other publicly available information concerning BBSI.

## **NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of purchasers of BBSI securities between February 12, 2013 and October 29, 2014, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. BBSI is a provider of business management solutions, combining human resource outsourcing and professional management consulting for its operational platform. The Company's integrated platform is built upon its purported expertise in payroll processing, employee benefits, workers' compensation coverage, risk management and workplace safety programs, and human resource administration.

3. On October 28, 2014, after the market closed, BBSI revealed that in the third quarter of 2014, the Company recorded an additional increase to its self-insured workers' compensation reserve of \$80 million, or \$47.9 million after tax, which effectively wiped out the Company's past five years of pretax earnings. According to the Company, the increase represented approximately 38% of the Company's total workers' compensation reserve, bringing the liability up to \$208.3 million at September 30, 2014. Taking into account the effect of this expense, the Company reported a net loss in the third quarter of 2014 of \$37.8 million compared to net income of \$9 million in the year-ago quarter.

4. On this news, shares of BBSI declined \$26.18 per share, nearly 59%, to close on October 29, 2014, at \$18.28 per share, on unusually heavy volume.

5. Throughout the Class Period, Defendants (defined below) made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company under accrued its self-insured workers' compensation reserves; (2) that, as a result, the Company overstated its earnings; (3) that the Company lacked adequate internal

1 and financial controls; and (4) that, as a result of the foregoing, Defendants' statements were materially  
2 false and misleading at all relevant times.

3 6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in  
4 the market value of the Company's securities, Plaintiff and other Class members have suffered  
5 significant losses and damages.

6 **JURISDICTION AND VENUE**

7 7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15  
8 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-  
9 5).

10 8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §  
11 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

12 9. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27  
13 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the  
14 effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including  
15 the preparation and dissemination of materially false and/or misleading information, occurred in  
16 substantial part in this Judicial District. Additionally, BBSI's principal executive offices are located  
17 within this Judicial District.

18 10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly  
19 and indirectly used the means and instrumentalities of interstate commerce, including the United States  
20 mail, interstate telephone communications, and the facilities of a national securities exchange.

21 **PARTIES**

22 11. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein,  
23 purchased BBSI common stock during the Class Period, and suffered damages as a result of the federal  
24

1 securities law violations and false and/or misleading statements and/or material omissions alleged  
2 herein.

3 12. Defendant BBSI is a Maryland corporation with its principal executive offices located at  
4 8100 NE Parkway Drive, Suite 200, Vancouver, Washington 98662.

5 13. Defendant Michael L. Elich (“Elich”) was, at all relevant times, Chief Executive Officer  
6 (“CEO”) and a director of BBSI.

7 14. Defendant James D. Miller (“Miller”) was, at all relevant times, Chief Financial Officer  
8 (“CFO”) of BBSI.

9 15. Defendants Elich and Miller are collectively referred to hereinafter as the “Individual  
10 Defendants.” The Individual Defendants, because of their positions with the Company, possessed the  
11 power and authority to control the contents of BBSI’s reports to the SEC, press releases and  
12 presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the  
13 market. Each defendant was provided with copies of the Company’s reports and press releases alleged  
14 herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to  
15 prevent their issuance or cause them to be corrected. Because of their positions and access to material  
16 non-public information available to them, each of these defendants knew that the adverse facts specified  
17 herein had not been disclosed to, and were being concealed from, the public, and that the positive  
18 representations which were being made were then materially false and/or misleading. The Individual  
19 Defendants are liable for the false statements pleaded herein, as those statements were each “group-  
20 published” information, the result of the collective actions of the Individual Defendants.

21 16. Defendant BBSI and the Individual Defendants are referred to herein, collectively, as the  
22 “Defendants.”

1 **SUBSTANTIVE ALLEGATIONS**  
 2 **Background**

3 17. BBSI is a provider of business management solutions, combining human resource  
 4 outsourcing and professional management consulting for its operational platform. The Company's  
 5 integrated platform is built upon its purported expertise in payroll processing, employee benefits,  
 6 workers' compensation coverage, risk management and workplace safety programs, and human  
 7 resource administration.

8 **Materially False and Misleading**  
 9 **Statements Issued During the Class Period**

10 18. The Class Period begins on February 12, 2013. On this day, BBSI issued a press release  
 11 entitled, "BBSI Reports Fourth Quarter and Full Year 2012 Financial Results." Therein, the Company,  
 12 in relevant part, stated:

13       - 41% Increase in Q4 Gross Revenues to \$597 Million Drives Diluted  
 14 Earnings per Share of \$0.80 –

15       Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ:  
 16 BBSI), a leading provider of business management solutions, reported  
 17 financial results for the fourth quarter and full year ended December 31,  
 18 2012.

19 **Fourth Quarter 2012 Financial Highlights vs. Year-Ago Quarter**

- 20       • Net revenues increased 34% to \$113.7 million
- 21       • Gross revenues increased 41% to \$596.7 million
- 22       • Net income increased to \$5.8 million or \$0.80 per diluted common  
 23 share, compared to a net loss of \$93,000 or \$(0.01) per diluted  
 24 common share

25 **Fourth Quarter 2012 Financial Results**

26       Net revenues in the fourth quarter of 2012 increased 34% to \$113.7  
 27 million, compared to \$84.7 million in the fourth quarter of 2011.

1 Total non-GAAP gross revenues in the fourth quarter of 2012 increased  
 2 41% to \$596.7 million, compared to \$423.6 million in the fourth quarter of  
 3 2011 (see “Reconciliation of Non-GAAP Financial Measures” below).  
 4 The increase is due primarily to the continued build in the Company’s  
 5 Professional Employer Organization (PEO) client count and same-store  
 6 sales growth.  
 7

8 Net income in the fourth quarter of 2012 increased to \$5.8 million or  
 9 \$0.80 per diluted common share, compared to a net loss of \$93,000 or  
 10 \$(0.01) per diluted common share in the year-ago quarter. The fourth  
 11 quarter of 2011 included an increase to the workers’ compensation reserve  
 12 of approximately \$8.5 million and benefit of a lower annual effective  
 13 income tax rate resulting from the nontaxable \$10.0 million of key man  
 14 life insurance proceeds received following the passing of the Company’s  
 15 former president and CEO. Excluding these items, non-GAAP net income  
 16 in the fourth quarter of 2011 was \$4.1 million or \$0.41 per diluted  
 17 common share (see “Reconciliation of Non-GAAP Financial Measures”  
 18 below).

19 At December 31, 2012, the Company’s cash, cash equivalents and  
 20 marketable securities totaled \$72.4 million, compared to \$81.8 million at  
 21 December 31, 2011. During 2012, the Company repurchased 3.0 million  
 22 shares of its common stock for \$59.7 million, which included the  
 23 redemption of \$34.8 million of preferred shares issued to finance the  
 24 repurchase. The completion of the repurchase was financed using a  
 25 combination of cash on hand and availability under a new revolving credit  
 26 facility provided by its principal bank. At December 31, 2012, total debt  
 27 was \$10.0 million, which included \$4.5 million outstanding on the  
 28 Company’s revolving credit line.

### Full Year 2012 Financial Results

20 Net revenues in 2012 increased 28% to \$402.7 million, compared to  
 21 \$314.9 million in 2011. Total non-GAAP gross revenues in 2012  
 22 increased 36% to \$2.1 billion, compared to \$1.5 billion in 2011. The  
 23 increase was primarily attributable to the previously discussed increase in  
 24 net PEO clients and same-store sales growth.

25 Net income in 2012 was \$13.1 million or \$1.67 per diluted common share,  
 26 compared to net income of \$14.3 million or \$1.41 per diluted common  
 27 share in 2011. Excluding \$460,000 of incremental legal and professional  
 28 fees associated with the response to requests for a special stockholders  
 29 meeting, non-GAAP net income in 2012 was \$13.4 million or \$1.71 per  
 30 diluted common share. Net income in 2011 included \$10.0 million of key  
 31 man life insurance proceeds received following the passing of the  
 32 Company’s former president and CEO, a lower annual effective income

1 tax rate resulting primarily from these proceeds and the \$8.5 million  
 2 increase to workers' compensation reserve. Excluding these non-recurring  
 3 items, non-GAAP net income in 2011 was \$9.0 million or \$0.89 per  
 4 diluted share.

5 **Management Commentary**

6 "The fourth quarter was a continuation of the positive trends we  
 7 experienced in the first three quarters of 2012," said Michael Elich,  
 8 president and CEO of BBSI. "These include our strong referral channels  
 9 driving new business, solid organic growth from continuing customers and  
 10 the overall maturation of our brand. We also continued investing in our  
 11 operational infrastructure and professional talent, which has played an  
 12 integral role in supporting our growth and maintaining our greater than  
 13 90% client retention rate. We expect these growth drivers to continue as  
 14 we move through 2013 and remain committed to investing in the business  
 15 to ultimately support a larger and more mature company."

16 **First Quarter 2013 Outlook**

17 For the first quarter of 2013, the Company expects gross revenues to range  
 18 between \$585 million and \$590 million, compared to \$432.1 million for  
 19 the first quarter of 2012. Net loss per common share in the first quarter of  
 20 2013 is expected to range between \$(0.36) and \$(0.40), which includes the  
 21 effect of the decrease in outstanding shares as a result of the Company's  
 22 3.0 million share repurchase, compared to a net loss per common share of  
 23 \$(0.22) in the year-ago quarter. The first quarter of 2012 included  
 24 \$460,000 of incremental legal and professional fees from the previously  
 25 mentioned special stockholders meeting. Excluding these fees, non-GAAP  
 26 net loss for the first quarter of 2012 was \$1.9 million or \$(0.19) per  
 27 common share.

28 The Company historically incurs losses in the first quarter due to the  
 29 higher effective payroll taxes at the beginning of each year.

30 19. On March 15, 2013, BBSI filed its Annual Report with the SEC on Form 10-Q for the  
 31 2012 fiscal year. The Company's Form 10-K was signed by defendants Elich and Miller, and  
 32 reaffirmed the Company's financial results previously announced on February 12, 2013. The Form 10-  
 33 K also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, who  
 34 certified:  
 35

1. I have reviewed this Annual Report on Form 10-K of Barrett  
2. Business Services, Inc.;
3. Based on my knowledge, this annual report does not contain any  
4. untrue statement of a material fact or omit to state a material fact  
5. necessary to make the statements made, in light of the  
circumstances under which such statements were made, not  
misleading with respect to the period covered by this annual report;
6. Based on my knowledge, the financial statements, and other  
7. financial information included in this annual report, fairly present  
8. in all material respects the financial condition, results of operations  
and cash flows of the Registrant as of, and for, the periods  
presented in this annual report;
9. The Registrant's other certifying officer and I are responsible for  
10. establishing and maintaining disclosure controls and procedures  
11. (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and  
12. internal control over financial reporting (as defined in Exchange  
Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  13. a. designed such disclosure controls and procedures, or  
14. caused such disclosure controls and procedures to be  
15. designed under our supervision, to ensure that material  
information relating to the Registrant, including its  
16. consolidated subsidiaries, is made known to us by others  
within those entities, particularly during the period in  
17. which this annual report is being prepared;
  18. b. designed such internal control over financial reporting, or  
19. caused such internal control over financial reporting to be  
20. designed under our supervision, to provide reasonable  
assurance regarding the reliability of financial reporting  
21. and the preparation of financial statements for external  
purposes in accordance with generally accepted accounting  
22. principles;
  23. c. evaluated the effectiveness of the Registrant's disclosure  
24. controls and procedures and presented in this annual report  
our conclusions about the effectiveness of the disclosure  
25. controls and procedures, as of the end of the period covered  
by this report, based on such evaluation; and
  26. d. disclosed in this report any change in the Registrant's  
27. internal control over financial reporting that occurred  
during the registrant's most-recent fiscal quarter (the

1 registrant's fourth fiscal quarter in the case of an annual  
2 report) that has materially affected, or is reasonably likely  
3 to materially affect, the Registrant's internal control over  
4 financial reporting; and

5 5. The Registrant's other certifying officer and I have disclosed,  
6 based on our most recent evaluation of internal control over  
7 financial reporting, to the Registrant's auditors and the audit  
8 committee of the Registrant's board of directors (or persons  
9 performing the equivalent functions):

10 a. all significant deficiencies and material weaknesses in the  
11 design or operation of internal control over financial  
12 reporting which are reasonably likely to adversely affect  
13 the Registrant's ability to record, process, summarize and  
14 report financial information; and  
15 b. any fraud, whether or not material, that involves  
16 management or other employees who have a significant  
17 role in the Registrant's internal control over financial  
18 reporting.

19 20. On April 23, 2013, BBSI issued a press release entitled, "BBSI Reports First Quarter  
21 2013 Financial Results." Therein, the Company, in relevant part, stated:

22 **Q1 Net Revenues up 35% to \$112 Million; Non-GAAP Gross  
23 Revenues up 37% to \$591 Million**

24 Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ:  
25 BBSI), a leading provider of business management solutions, reported  
26 financial results for the first quarter ended March 31, 2013.

27 **First Quarter 2013 Financial Summary vs. Year-Ago Quarter**

28 Net revenues up 35% to \$111.6 million

Gross revenues up 37% to \$591.2 million

Net loss of \$2.5 million or \$(0.36) per diluted share compared to a net loss  
of \$2.2 million or \$(0.22) per diluted share

**First Quarter 2013 Financial Results**

1 Net revenues in the first quarter of 2013 increased 35% to \$111.6 million  
 2 compared to \$82.4 million in the first quarter of 2012.

3 Total non-GAAP gross revenues in the first quarter of 2013 increased 37%  
 4 to \$591.2 million compared to \$432.1 million in the first quarter of 2012  
 5 (see “Reconciliation of Non-GAAP Financial Measures” below). The  
 6 increase is due primarily to the continued build in the Company’s co-  
 7 employed client count and same-store sales growth.

8 Net loss for the first quarter was \$2.5 million or \$(0.36) per diluted share  
 9 compared to a net loss of \$2.2 million or \$(0.22) per diluted share in the  
 10 year-ago quarter. The first quarter of 2013 reflected approximately 3.0  
 11 million fewer common shares outstanding when compared to the year-ago  
 12 quarter due to the Company’s repurchase of approximately 2.5 million  
 13 shares from the Estate of William W. Sherertz, as well as 500,000 shares  
 14 from Nancy Sherertz, on March 28, 2012. The Company historically  
 15 incurs losses in the first quarter due to the higher effective payroll taxes at  
 16 the beginning of each year.

17 On March 31, 2013, the Company’s cash, cash equivalents and marketable  
 18 securities totaled \$78.3 million compared to \$72.4 million at December  
 19 31, 2012. At March 31, 2013, the Company had no outstanding  
 20 borrowings on its revolving credit facility.

### 21 **Management Commentary**

22 “The solid momentum we built throughout 2012 continued into the first  
 23 quarter of 2013, as shown by our fifth consecutive quarter of gross  
 24 revenue growth greater than 30%,” said Michael Elich, president and CEO  
 25 of BBSI. “This growth can be attributed to a variety of factors, including  
 26 continued strength in our referral channels, our high client retention rate  
 27 and the maturation of our brand in the marketplace. Given this  
 28 acceleration, we will continue to prudently invest in our operational  
 infrastructure and professional talent throughout 2013 to support a much  
 larger organization as we grow.”

### 22 **Second Quarter 2013 Outlook**

23 For the second quarter of 2013, the Company expects gross revenues to  
 24 grow at least 28% to between \$630 million and \$635 million compared to  
 25 \$494.1 million for the second quarter of 2012. Diluted income per  
 26 common share in the second quarter of 2013 is expected to range between  
 27 \$0.68 and \$0.72 compared to \$0.53 in the second quarter of 2012.

1 21. On May 9, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the  
 2 2013 fiscal first quarter. The Company's Form 10-Q was signed by defendant Miller, and reaffirmed  
 3 the Company's financial results previously announced on April 23, 2013. The Form 10-Q also  
 4 contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially  
 5 similar to those contained in ¶ 19.

6 22. On July 23, 2013, BBSI issued a press release entitled, "BBSI Reports Second Quarter  
 7 2013 Financial Results." Therein, the Company, in relevant part, stated:

8 **Q2 Net Revenues Up 35% to \$128.8 Million Drives 51% Increase in  
 9 Diluted Earnings per Share to \$0.80**

10 Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ:  
 11 BBSI), a leading provider of business management solutions, reported  
 12 financial results for the second quarter ended June 30, 2013.

13 ***Second Quarter 2013 Financial Summary vs. Year-Ago Quarter:***

14 Net revenues up 35% to \$128.8 million  
 15 Gross revenues up 37% to \$675.0 million  
 16 Net income increased 57% to \$5.9 million  
 17 Diluted earnings per share increased 51% to \$0.80

18 ***Second Quarter 2013 Financial Results***

19 Net revenues in the second quarter of 2013 increased 35% to \$128.8  
 20 million compared to \$95.5 million in the second quarter of 2012. The  
 21 increase was due primarily to the continued build in the Company's co-  
 22 employed client count and same-store sales growth.

23 Total non-GAAP gross revenues in the second quarter of 2013 increased  
 24 37% to \$675.0 million compared to \$494.1 million in the second quarter  
 25 of 2012 (see "Reconciliation of Non-GAAP Financial Measures" below).

26 Net income for the second quarter of 2013 increased 57% to \$5.9 million  
 27 compared to net income of \$3.7 million in the year-ago quarter. Diluted  
 28 earnings per share in the second quarter of 2013 increased 51% to \$0.80  
 29 compared to \$0.53 per diluted share in the year-ago quarter.

30 During the second quarter of 2013, the Company posted \$63.9 million in  
 31 restricted investments to collateralize a letter of credit issued to satisfy a

1 surety requirement for its self-insured workers' compensation program in  
 2 the state of California. As a result, on June 30, 2013, the Company's cash,  
 3 cash equivalents and marketable securities totaled \$18.6 million compared  
 4 to \$72.4 million at December 31, 2012. At June 30, 2013, the Company  
 5 had no outstanding borrowings on its revolving credit facility.

6 ***Management Commentary***

7 "The second quarter's gross revenue figure was the highest in our  
 8 company's history and the sixth consecutive quarter we grew gross  
 9 revenues by more than 30%," said Michael Elich, president and CEO of  
 10 BBSI. "We continue to see our strong referral channels drive new  
 11 business, increased organic growth from existing clients, and heightened  
 12 brand awareness within our markets. Investments in our operational  
 13 infrastructure were an important contributor to the quarter's results and  
 14 will continue to be a strategic focus as we prepare for future growth.  
 15 Ultimately, we are confident BBSI's brand will continue to mature in the  
 16 marketplace."

17 ***Third Quarter 2013 Outlook***

18 For the third quarter of 2013, the Company expects gross revenues to  
 19 increase at least 31% to between \$730.0 million and \$735.0 million  
 20 compared to \$558.0 million for the third quarter of 2012. Diluted income  
 21 per common share in the third quarter of 2013 is expected to increase at  
 22 least 30% to between \$1.05 and \$1.10 compared to \$0.81 in the third  
 23 quarter of 2012.

24 23. On August 8, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the  
 25 2013 fiscal second quarter. The Company's Form 10-Q was signed by defendant Miller, and reaffirmed  
 26 the Company's financial results previously announced on July 23, 2013. The Form 10-Q also contained  
 27 required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to  
 28 those contained in ¶ 19.

29 24. On October 29, 2013, BBSI issued a press release entitled, "BBSI Reports Third Quarter  
 30 2013 Financial Results." Therein, the Company, in relevant part, stated:

31 **Q3 Net Revenues up 33% to \$148.0 Million Drives 49% Increase in  
 32 Diluted Earnings per Share to \$1.21**

1 Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ:  
 2 BBSI), a leading provider of business management solutions, reported  
 3 financial results for the third quarter ended September 30, 2013.

4 ***Third Quarter 2013 Financial Highlights vs. Year-Ago Quarter***

5 Net revenues up 33% to \$148.0 million  
 6 Gross revenues up 37% to \$764.1 million  
 7 Net income increased 55% to \$9.0 million  
 8 Diluted earnings per share increased 49% to \$1.21

9 ***Third Quarter 2013 Financial Results***

10 Net revenues in the third quarter of 2013 increased 33% to \$148.0 million  
 11 compared to \$111.1 million in the third quarter of 2012. The increase was  
 12 due primarily to the continued build in the Company’s co-employed client  
 13 count and same-store sales growth.

14 Total non-GAAP gross revenues in the third quarter of 2013 increased  
 15 37% to \$764.1 million compared to \$558.0 million in the third quarter of  
 16 2012 (see “Reconciliation of Non-GAAP Financial Measures” below).

17 Net income in the third quarter of 2013 increased 55% to \$9.0 million  
 18 compared to net income of \$5.8 million in the year-ago quarter. Diluted  
 19 earnings per share in the third quarter of 2013 increased 49% to \$1.21  
 20 compared to \$0.81 per diluted share in the year-ago quarter.

21 At September 30, 2013, the Company’s cash, cash equivalents and  
 22 marketable securities totaled \$48.0 million, compared to \$72.4 million at  
 23 December 31, 2012.

24 During the second quarter of 2013, the Company posted \$63.9 million in  
 25 restricted certificates of deposit to collateralize a letter of credit issued to  
 26 satisfy a surety requirement for its self-insured workers’ compensation  
 27 program in the state of California. At September 30, 2013, the Company  
 28 had no outstanding borrowings on its revolving credit facility.

29 ***Management Commentary***

30 “During the third quarter, gross revenues grew by more than 30% for the  
 31 seventh consecutive quarter and were the highest in the company’s history  
 32 by nearly \$90 million,” said Michael Elich, president and CEO of BBSI.  
 33 “We continue to mature BBSI’s brand in the marketplace complemented  
 34 by our strong referral channels helping to drive new business as well as  
 35 healthy organic growth from our existing client base. Our three-tier  
 36 partnership platform and operational focus also continues to drive an

1 industry-leading 90+% retention rate. While we are pleased with the  
 2 quarter's strong results, it is important to note that we continue to reinvest  
 3 in our company to ultimately support a much larger and more mature  
 4 organization.”

5 ***Fourth Quarter 2013 Outlook***

6 For the fourth quarter of 2013, the Company expects gross revenues to  
 7 increase at least 30% to between \$780 million and \$790 million compared  
 8 to \$596.7 million in the fourth quarter of 2012. Diluted income per  
 9 common share in the fourth quarter of 2013 is expected to increase at least  
 10 43% to between \$1.15 and \$1.20 compared to \$0.80 in the fourth quarter  
 11 of 2012.

12 25. On November 8, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for  
 13 the 2013 fiscal third quarter. The Company's Form 10-Q was signed by defendant Miller, and  
 14 reaffirmed the Company's financial results previously announced on October 29, 2013. The Form 10-Q  
 15 also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller,  
 16 substantially similar to those contained in ¶ 19.

17 26. On February 4, 2014, BBSI issued a press release entitled, “BBSI Reports Fourth  
 18 Quarter and Full Year 2013 Financial Results.” Therein, the Company, in relevant part, stated:

19 **Q4 Net Revenues up 27% to \$144.5 Million; Non-GAAP Gross**  
 20 **Revenues up 31% to \$779.3 Million**

21 Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ:  
 22 BBSI), a leading provider of business management solutions, reported  
 23 financial results for the fourth quarter and full year ended December 31,  
 24 2013.

25 **Fourth Quarter 2013 Financial Highlights vs. Year-Ago Quarter**

26 Net revenues up 27% to \$144.5 million

27 Gross revenues up 31% to \$779.3 million

28 Net income was \$5.6 million, or \$0.74 per diluted share, compared to \$5.8  
 29 million, or \$0.80 per diluted share

Excluding \$5.1 million, or \$3.1 million after tax, for an increase in workers' compensation reserve, net income was \$8.7 million

Excluding \$0.42 per diluted share for the increase to workers' compensation reserve, diluted earnings per share was \$1.16

## Fourth Quarter 2013 Financial Results

Net revenues in the fourth quarter of 2013 increased 27% to \$144.5 million compared to \$113.7 million in the fourth quarter of 2012. The increase was due primarily to the continued build in the Company's co-employed client count and same-store sales growth.

Total non-GAAP gross revenues in the fourth quarter of 2013 increased 31% to \$779.3 million compared to \$596.7 million in the fourth quarter of 2012 (see “Reconciliation of Non-GAAP Financial Measures” below).

In the fourth quarter of 2013, the Company recorded an additional increase to its self-insured workers' compensation reserve of \$5.1 million, or \$3.1 million after tax, equating to \$0.42 per diluted share. The increase represents approximately 5% of the Company's total workers' compensation reserve and is a result of increased estimated reserves for prior year injury claims, primarily in the state of California.

Taking into account the effect of this expense, net income in the fourth quarter of 2013 was \$5.6 million compared to \$5.8 million in the year-ago quarter. Diluted earnings per share in the fourth quarter of 2013 was \$0.74 compared to \$0.80 in the year-ago quarter. Excluding the effect of the increase in workers' compensation reserve, net income increased 50% to \$8.7 million and diluted earnings per share increased 45% to \$1.16 in the fourth quarter of 2013.

At December 31, 2013, the Company's cash, cash equivalents, marketable securities, as well as restricted securities totaled \$143.2 million, compared to \$82.1 million at December 31, 2012. At December 31, 2013, the Company had no outstanding borrowings on its revolving credit facility.

## Full Year 2013 Financial Results

Net revenues in 2013 increased 32% to \$532.8 million compared to \$402.7 million in 2012. Total non-GAAP gross revenues in 2013 increased 35% to \$2.8 billion compared to \$2.1 billion in 2012. The increase was primarily attributable to the previously discussed increase in net PEO clients and same-store sales growth.

1 Net income in 2013 increased 36% to \$17.9 million compared to \$13.1  
 2 million in 2012. Diluted earnings per share increased 45% to \$2.42  
 3 compared to \$1.67 per diluted common share in 2012.

4 **Management Commentary**

5 “In addition to record revenue and earnings growth in 2013, we  
 6 accomplished several important strategic initiatives during the year,” said  
 7 Michael Elich, president and CEO of BBSI. “All clients have now  
 8 transitioned to our new payroll and data technology platform, which we  
 9 expect will improve the quality and consistency of BBSI’s offering. We  
 also continued to expand our infrastructure, as we started 12 business units  
 during the year with another 11 in development for the first half of 2014.  
 We also plan to open two new branches, one in San Luis Obispo and a  
 second in Reno, during 2014.

10 “BBSI remains well positioned for 2014 and beyond. Along with the  
 11 maturation of our infrastructure and internal talent, our referral network  
 12 partners remain strong. Going forward, we are focused on becoming a  
 13 much larger company with a product offering that remains adaptable and  
 predictable long-term.”

14 **First Quarter 2014 Outlook**

15 For the first quarter of 2014, the Company expects gross revenues to  
 16 increase at least 24% to between \$735 million and \$755 million compared  
 17 to \$591.2 million in the first quarter of 2013. Diluted loss per common  
 18 share in the first quarter of 2014 is expected to be between \$(0.45) and  
 19 \$(0.50) compared to \$(0.36) in the first quarter of 2013. The Company  
 historically incurs losses in the first quarter due to the higher effective  
 payroll taxes at the beginning of each year.

20 27. On March 14, 2014, BBSI filed its Annual Report with the SEC on Form 10-K for the  
 21 2013 fiscal year. The Company’s Form 10-K was signed by defendants Elich and Miller, and  
 22 reaffirmed the Company’s financial results previously announced on February 4, 2014. The Form 10-K  
 23 also contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller,  
 24 substantially similar to those contained in ¶ 19.

25 28. On April 29, 2014, BBSI issued a press release entitled, “BBSI Reports First Quarter  
 26 2014 Financial Results.” Therein, the Company, in relevant part, stated:

## **Q1 Net Revenues Up 21% to \$135.1 Million; Non-GAAP Gross Revenues Up 23% to \$727.4 Million**

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the first quarter ended March 31, 2014.

## **First Quarter 2014 Financial Summary vs. Year-Ago Quarter**

Net revenues up 21% to \$135.1 million

Gross revenues up 23% to \$727.4 million

Net loss was \$3.6 million, or \$(0.50) per diluted share, compared to a net loss of \$2.5 million, or \$(0.36) per diluted share

## ***First Quarter 2014 Financial Results***

Net revenues in the first quarter of 2014 increased 21% to \$135.1 million compared to \$111.6 million in the first quarter of 2013.

Total non-GAAP gross revenues in the first quarter of 2014 increased 23% to \$727.4 million compared to \$591.2 million in the first quarter of 2013 (see “Reconciliation of Non-GAAP Financial Measures” below). The increase was due primarily to the continued build in the Company’s co-employed client count and same-store sales growth, partially offset by the vetting of specific clients who no longer met certain performance criteria.

Net loss for the first quarter of 2014 was \$3.6 million, or \$(0.50) per diluted share, compared to a net loss of \$2.5 million, or \$(0.36) per diluted share, in the year-ago quarter. The Company historically incurs losses in the first quarter due to the higher effective payroll taxes at the beginning of each year.

At March 31, 2014, the Company's cash, cash equivalents, marketable securities, and restricted securities totaled \$147.9 million compared to \$143.2 million at December 31, 2013. At March 31, 2014, the Company had no outstanding borrowings on its revolving credit facility.

*Management Commentary*

“BBSI’s 23% increase in gross revenues during the first quarter reflects our continued focus on delivering a management platform that is both predictable and adaptable in how it supports well-run companies over the long term,” said Michael Elich, president and CEO of BBSI. “Vital to this long-term model is a client vetting process which has driven our 90%-plus retention rate. Over the past several months, however, the size of clients that we ultimately determined did not fit our platform has been larger than

1 in the past. By identifying and canceling clients who were utilizing a  
 2 disproportionate level of BBSI resources, we expect to achieve a long-  
 3 term increase in efficiencies and quality of operations, which will benefit  
 4 remaining and future clients.  
 5

6 “This recent trend does not change our long-term view about our untapped  
 7 market opportunity, the health of our client base and the strength of our  
 8 referral network. In fact, we see it as more episodic and expect we will  
 9 return to a higher pace of growth as we work to backfill lost revenues  
 10 created by the vetting process. Given this view, we remain well-positioned  
 11 to continue gaining market share and deliver another record year for our  
 12 shareholders.”

13 ***Second Quarter 2014 Outlook***

14 For the second quarter of 2014, the Company expects gross revenues to  
 15 increase at least 15% to between \$780 million and \$800 million compared  
 16 to \$675.0 million in the second quarter of 2013. Diluted income per  
 17 common share in the second quarter of 2014 is expected to be between  
 18 \$0.93 and \$0.98 compared to \$0.80 in the second quarter of 2013.

19 29. On May 12, 2014, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the  
 20 2014 fiscal first quarter. The Company’s Form 10-Q was signed by defendant Miller, and reaffirmed  
 21 the Company’s financial results previously announced on April 29, 2014. The Form 10-Q also  
 22 contained required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially  
 23 similar to those contained in ¶19.

24 30. On July 29, 2014, BBSI issued a press release entitled, “BBSI Reports Second Quarter  
 25 2014 Financial Results.” Therein, the Company, in relevant part, stated:

26 **Q2 Net Revenues Up 17% to \$151.1 Million Drives 23% Increase in  
 27 Diluted Earnings per Share to \$0.98**

28 Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ:  
 29 BBSI), a leading provider of business management solutions, reported  
 30 financial results for the second quarter ended June 30, 2014.

31 ***Second Quarter 2014 Financial Summary vs. Year-Ago Quarter***

32

- 33 • Net revenues up 17% to \$151.1 million
- 34 • Gross revenues up 18% to \$798.4 million

1

- Net income increased 24% to \$7.3 million
- Diluted earnings per share increased 23% to \$0.98

2

3

***Second Quarter 2014 Financial Results***

4

Net revenues in the second quarter of 2014 increased 17% to \$151.1 million compared to \$128.8 million in the second quarter of 2013.

5

6

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8

Total non-GAAP gross revenues in the second quarter of 2014 increased 18% to \$798.4 million compared to \$675.0 million in the second quarter of 2013 (see “Reconciliation of Non-GAAP Financial Measures” below). The increase was due primarily to the continued build in the Company’s co-employed client count and same-store sales growth.

9

10

11

Net income in the second quarter of 2014 increased 24% to \$7.3 million compared to net income of \$5.9 million in the year-ago quarter. Diluted earnings per share in the second quarter of 2014 increased 23% to \$0.98 compared to \$0.80 per diluted share in the year-ago quarter.

12

13

14

At June 30, 2014, the Company’s cash, cash equivalents, marketable securities, and restricted securities totaled \$146.1 million compared to \$143.2 million at December 31, 2013. At June 30, 2014, the Company had no outstanding borrowings on its revolving credit facility.

15

***Management Commentary***

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“The growth in our business for the second quarter of 2014 is a direct result of BBSI’s continued brand maturation in the marketplace,” said Michael Elich, president and CEO of BBSI. “Complemented by healthy organic growth from our existing client base and strong referral channels, we continue to drive new business and maintain our high client retention rate.

20

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22

23

“Looking towards the second half of the year, BBSI remains well-positioned to deliver another strong year for our shareholders, despite the client backfilling process we have undertaken. We also continue to expand and invest in our infrastructure and internal talent, which we believe will help us ultimately support a much larger, more mature company.”

24

***Third Quarter 2014 Outlook***

25

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28

For the third quarter of 2014, the Company expects gross revenues to increase at least 14% to range between \$870 million and \$890 million compared to \$764.1 million in the third quarter of 2013. Diluted earnings per common share in the third quarter of 2014 is expected to range between \$1.30 and \$1.35 compared to \$1.21 in the third quarter of 2013.

1 Diluted earnings per common share in the third quarter of 2013 included a  
 2 positive impact of approximately \$0.08 per common share from a more  
 3 favorable tax rate compared to the estimated tax rate for the third quarter  
 4 of 2014.

5 31. On August 8, 2014, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the  
 6 2014 fiscal second quarter. The Company's Form 10-Q was signed by defendant Miller, and reaffirmed  
 7 the Company's financial results previously announced on July 29, 2014. The Form 10-Q also contained  
 8 required Sarbanes-Oxley certifications, signed by defendants Elich and Miller, substantially similar to  
 9 those contained in ¶ 19.

10 32. The statements contained in ¶¶ 18-31 were materially false and/or misleading when  
 11 made because Defendants failed to disclose or indicate the following: (1) that the Company under-  
 12 accrued its self-insured workers' compensation reserves; (2) that, as a result, the Company overstated  
 13 its earnings; (3) that the Company lacked adequate internal and financial controls; and (4) that, as a  
 14 result of the foregoing, Defendants' statements were materially false and misleading at all relevant  
 15 times.

16 **Disclosures at the End of the Class Period**

17 33. On October 28, 2014, after the market closed, BBSI issued a press release entitled,  
 18 "BBSI Reports Third Quarter 2014 Financial Results." Therein, the Company, in relevant part, stated:

19 **Q3 Net Revenues up 18% to \$175.0 Million; Non-GAAP Gross  
 20 Revenues up 18% to \$900.2 Million**

21 Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ:  
 22 BBSI), a leading provider of business management solutions, reported  
 23 financial results for the third quarter ended September 30, 2014.

24 ***Third Quarter 2014 Financial Summary vs. Year-Ago Quarter***

25

- 26 • Net revenues up 18% to \$175.0 million
- 27 • Gross revenues up 18% to \$900.2 million

- 1 • Net loss was \$37.8 million, or \$(5.27) per diluted share, compared  
to net income of \$9.0 million or \$1.21 per diluted share
- 2
- 3 • Excluding \$80.0 million, or \$47.9 million after tax, for an increase  
in workers' compensation reserve, net income increased 20% to  
\$10.1 million
- 4
- 5 • Excluding a \$6.62 per diluted share increase to the workers'  
compensation reserve, diluted earnings per share increased 19% to  
\$1.35
- 6
- 7 • Repurchased approximately 28,000 shares for an average price of  
\$39.95 as part of its 3.0 million share repurchase program
- 8

9 ***Third Quarter 2014 Financial Results***

10 Net revenues in the third quarter of 2014 increased 18% to \$175.0 million  
11 compared to \$148.0 million in the third quarter of 2013.

12 Total non-GAAP gross revenues in the third quarter of 2014 increased  
13 18% to \$900.2 million compared to \$764.1 million in the third quarter of  
14 2013 (see "Reconciliation of Non-GAAP Financial Measures" below).  
15 The increase was due primarily to the continued build in the Company's  
16 co-employed client count and same-store sales growth.

17 In the third quarter of 2014, the Company recorded an additional increase  
18 to its self-insured workers' compensation reserve of \$80.0 million, or  
19 \$47.9 million after tax. The increase represents approximately 38% of the  
20 Company's total workers' compensation reserve, bringing the liability up  
21 to \$208.3 million at September 30, 2014.

22 Taking into account the effect of this expense, net loss in the third quarter  
23 of 2014 was \$37.8 million compared to net income of \$9.0 million in the  
24 year-ago quarter. Diluted loss per share in the third quarter was \$(5.27)  
25 compared to diluted earnings per share of \$1.21 in the year-ago quarter.  
26 Diluted earnings per common share in the third quarter of 2013 included a  
27 positive impact of approximately \$0.08 per common share from a more  
favorable income tax rate. Excluding the effect of the increase in workers'  
compensation reserve, net income increased 20% to \$10.1 million and  
diluted earnings per share increased 19% to \$1.35.

At September 30, 2014, the Company's cash, cash equivalents, marketable  
securities, and restricted securities totaled \$167.5 million compared to  
\$143.2 million at December 31, 2013. At September 30, 2014, the  
Company had no outstanding borrowings on its revolving credit facility.

1 During the third quarter, BBSI repurchased approximately 28,000 shares  
 2 of its common stock for \$1.1 million, or an average price of \$39.95 per  
 3 share. Since implementing a series of repurchase programs beginning in  
 4 November 2006, the Company has repurchased approximately 1.9 million  
 5 shares for an aggregate price of \$26.0 million. Approximately 1.1 million  
 6 shares remain available under the current 3.0 million share repurchase  
 7 program.

8 The Company's existing credit facility with its principal bank provides  
 9 borrowing capacity of up to \$14.0 million. Management has entered into  
 10 discussions with the bank to increase the borrowing capacity to meet the  
 11 liquidity needs of the Company.

12 ***Workers' Compensation Reserve Update***

13 In late 2013, BBSI initiated a reserve strengthening process on workers'  
 14 compensation claims dated 2012 and prior. BBSI believes the  
 15 strengthening process is having its intended effect, as 344 or 26% of  
 16 strengthened claims have been closed in 2014 and the Company has  
 17 realized \$3.4 million in credits to its reserves on these claims through  
 18 September 30, 2014.

19 As part of the strengthening process, management initiated a reserve study  
 20 and engaged the Willis Claims Audit Team. Willis reviewed 180 or about  
 21 14% of all strengthened claims drawn from a targeted population of 401,  
 22 or 45% of what the Company has identified as having the highest  
 23 probability of complexity. Willis concluded their study and rendered an  
 24 opinion that the total strengthened reserves were more than 100% of their  
 25 probable ultimate cost. Following completion of the study, the Company  
 26 has engaged Willis as its independent actuary.

27 In mid-2013, BBSI also initiated a change in reserve practice  
 28 encompassing three areas: placing dollars up more quickly on all claims;  
 1 increasing claims team staffing; and paying and closing claims faster.

2 While the Company has reason to believe the reserve strengthening and  
 3 change in practice are having the intended effect, these combined  
 4 initiatives are causing disruption in the incurred and paid trends in the  
 5 claims data during 2014, making it difficult for the Company's actuary to  
 6 provide management with the best estimate of probable liability. With the  
 7 additional \$80.0 million charge, BBSI estimates its total liability for  
 8 workers' compensation claims to be \$208.3 million. Over the next several  
 9 quarters, BBSI expects to see the effects of its changes in practice  
 10 normalize the claims data and provide a clearer indication of potential  
 11 liability. The Company believes this strategy provides the most  
 12 conservative approach to its reserving practices.

Related to the charge, management anticipates its loss accrual rate for workers' compensation claims to increase approximately 20 basis points or 5% of total workers' compensation expense on a go-forward basis.

*Management Commentary*

"We have every reason to believe that the workers' compensation data we have presented in the third quarter will normalize over time, proving that the strengthening process and change in practice have had the intended effect," said Michael Elich, president and CEO of BBSI. "Until then, we believe taking a conservative approach right now allows us to look forward and removes the obstacle of the unknowns within the model. We do not see this as inhibiting our ability to execute on the long-term plan for the company.

“Our third quarter results continue to be balanced by new client additions and strong growth from our existing client base. At 8.2%, same-store sales were at the upper end of our high-single digit expectations while we added 182 net new PEO clients in the quarter. These results reflect our continued focus on delivering a management platform that supports well-run companies over the long term as well as the maturity of BBSI’s brand in the marketplace.”

## *12 Month Outlook*

BBSI expects gross revenues for the next 12 month period to increase approximately 18%. Included in this expectation is a high single-digit contribution from same-store sales growth as well as growth from new business consistent with current trends.

34. On this news, shares of BBSI declined \$26.18 per share, nearly 59%, to close on October 29, 2014, at \$18.28 per share, on unusually heavy volume.

## **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

35. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired BBSI securities traded on the NASDAQ during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and

1 their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had  
 2 a controlling interest.

3 36. The members of the Class are so numerous that joinder of all members is impracticable.  
 4 Throughout the Class Period, BBSI securities were actively traded on the NASDAQ. While the exact  
 5 number of Class members is unknown to Plaintiff at this time and can be ascertained only through  
 6 appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the  
 7 proposed Class. Record owners and other members of the Class may be identified from records  
 8 maintained by BBSI or its transfer agent and may be notified of the pendency of this action by mail,  
 9 using the form of notice similar to that customarily used in securities class actions.

10 37. Plaintiff's claims are typical of the claims of the members of the Class as all members of  
 11 the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is  
 12 complained of herein.

13 38. Plaintiff will fairly and adequately protect the interests of the members of the Class and  
 14 has retained counsel competent and experienced in class and securities litigation. Plaintiff has no  
 15 interests antagonistic to or in conflict with those of the Class.

16 39. Common questions of law and fact exist as to all members of the Class and predominate  
 17 over any questions solely affecting individual members of the Class. Among the questions of law and  
 18 fact common to the Class are:

- 22     • whether the federal securities laws were violated by Defendants' acts as alleged  
 23       herein;
- 24     • whether statements made by Defendants to the investing public during the Class  
 25       Period misrepresented material facts about the business, operations and  
 26       management of BBSI;
- 27     • whether the Individual Defendants caused BBSI to issue false and misleading  
 28       financial statements during the Class Period;

- 1     • whether Defendants acted knowingly or recklessly in issuing false and
- 2     misleading financial statements;
- 3     • whether the prices of BBSI securities during the Class Period were artificially
- 4     inflated because of the Defendants' conduct complained of herein; and,
- 5     • whether the members of the Class have sustained damages and, if so, what is the
- 6     proper measure of damages.

7           40. A class action is superior to all other available methods for the fair and efficient  
 8 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the  
 9 damages suffered by individual Class members may be relatively small, the expense and burden of  
 10 individual litigation make it impossible for members of the Class to individually redress the wrongs  
 11 done to them. There will be no difficulty in the management of this action as a class action.

12           41. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-  
 13 the-market doctrine in that:

- 14     • Defendants made public misrepresentations or failed to disclose material facts
- 15     during the Class Period;
- 16     • the omissions and misrepresentations were material;
- 17     • BBSI securities are traded in efficient markets;
- 18     • the Company's shares were liquid and traded with moderate to heavy volume
- 19     during the Class Period;
- 20     • the Company traded on the NASDAQ, and was covered by multiple analysts;
- 21     • the misrepresentations and omissions alleged would tend to induce a reasonable
- 22     investor to misjudge the value of the Company's securities; and
- 23     • Plaintiff and members of the Class purchased and/or sold BBSI securities
- 24     between the time the Defendants failed to disclose or misrepresented material
- 25     facts and the time the true facts were disclosed, without knowledge of the
- 26     omitted or misrepresented facts.

42. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

43. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

## COUNT I

**Violation of Section 10(b) of The Exchange Act and Rule 10b-5  
Against All Defendants**

44. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

45. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

46. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of BBSI securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire BBSI securities and options at artificially inflated prices. In

1 furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took  
2 the actions set forth herein.

3 47. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the  
4 Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and  
5 annual reports, SEC filings, press releases and other statements and documents described above,  
6 including statements made to securities analysts and the media that were designed to influence the  
7 market for BBSI securities. Such reports, filings, releases and statements were materially false and  
8 misleading in that they failed to disclose material adverse information and misrepresented the truth  
9 about BBSI's finances and business prospects.

10 11 48. By virtue of their positions at BBSI, Defendants had actual knowledge of the materially  
12 false and misleading statements and material omissions alleged herein and intended thereby to deceive  
13 Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless  
14 disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal  
15 the materially false and misleading nature of the statements made, although such facts were readily  
16 available to Defendants. Said acts and omissions of Defendants were committed willfully or with  
17 reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that  
18 material facts were being misrepresented or omitted as described above.

19 20 21 49. Defendants were personally motivated to make false statements and omit material  
22 information necessary to make the statements not misleading in order to personally benefit from the  
23 sale of BBSI securities from their personal portfolios.

24 25 26 27 50. Information showing that Defendants acted knowingly or with reckless disregard for the  
truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors  
of BBSI, the Individual Defendants had knowledge of the details of BBSI's internal affairs.

1       51. The Individual Defendants are liable both directly and indirectly for the wrongs  
2 complained of herein. Because of their positions of control and authority, the Individual Defendants  
3 were able to and did, directly or indirectly, control the content of the statements of BBSI. As officers  
4 and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate  
5 timely, accurate, and truthful information with respect to BBSI's businesses, operations, future financial  
6 condition and future prospects. As a result of the dissemination of the aforementioned false and  
7 misleading reports, releases and public statements, the market price for BBSI's securities was  
8 artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning BBSI's  
9 business and financial condition which were concealed by Defendants, Plaintiff and the other members  
10 of the Class purchased or otherwise acquired BBSI securities at artificially inflated prices and relied  
11 upon the price of the securities, the integrity of the market for the securities and/or upon statements  
12 disseminated by Defendants, and were damaged upon the revelation of the alleged corrective  
13 disclosures.

16       52. During the Class Period, BBSI's securities were traded on an active and efficient market.  
17 Plaintiff and the other members of the Class, relying on the materially false and misleading statements  
18 described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the  
19 integrity of the market, purchased or otherwise acquired shares of BBSI securities at prices artificially  
20 inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the  
21 truth, they would not have purchased or otherwise acquired said securities, or would not have purchased  
22 or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or  
23 acquisitions by Plaintiff and the Class, the true value of BBSI securities was substantially lower than  
24 the prices paid by Plaintiff and the other members of the Class. The market price of BBSI's securities  
25  
26

1 declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class  
 2 members.

3 53. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or  
 4 indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

5 54. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other  
 6 members of the Class suffered damages in connection with their respective purchases, acquisitions and  
 7 sales of the Company's securities during the Class Period, upon the disclosure that the Company had  
 8 been disseminating misrepresented financial statements to the investing public.

9  
 10 **COUNT II**

11  
 12 **Violation of Section 20(a) of**  
**The Exchange Act Against The Individual Defendants**

13 55. Plaintiff repeats and realleges each and every allegation contained in the foregoing  
 14 paragraphs as if fully set forth herein.

15 56. During the Class Period, the Individual Defendants participated in the operation and  
 16 management of BBSI, and conducted and participated, directly and indirectly, in the conduct of BBSI's  
 17 business affairs. Because of their senior positions, they knew the adverse non-public information  
 18 regarding BBSI's business practices.

19  
 20 57. As officers and/or directors of a publicly owned company, the Individual Defendants had  
 21 a duty to disseminate accurate and truthful information with respect to BBSI's financial condition and  
 22 results of operations, and to correct promptly any public statements issued by BBSI which had become  
 23 materially false or misleading.

24  
 25 58. Because of their positions of control and authority as senior officers, the Individual  
 26 Defendants were able to, and did, control the contents of the various reports, press releases and public  
 27 filings which BBSI disseminated in the marketplace during the Class Period. Throughout the Class

Period, the Individual Defendants exercised their power and authority to cause BBSI to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were “controlling persons” of BBSI within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of BBSI securities.

59. Each of the Individual Defendants, therefore, acted as a controlling person of BBSI. By reason of their senior management positions and/or being directors of BBSI, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, BBSI to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of BBSI and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

60. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by BBSI.

## PRAYER FOR RELIEF

**WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

## **DEMAND FOR TRIAL BY JURY**

Plaintiff hereby demands a trial by jury.

Dated: November 17, 2014

**ZWERLING, SCHACHTER &  
ZWERLING, LLP**

s/ Dan Drachler

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**CERTIFICATION PURSUANT  
TO FEDERAL SECURITIES LAWS**

1. I, Shiva Stein, make this declaration pursuant to Section 27(a)(2) of the Securities Act of 1933 (“Securities Act”) and/or Section 21D(a)(2) of the Securities Exchange Act of 1934 (“Exchange Act”) as amended by the Private Securities Litigation Reform Act of 1995.

2. I have reviewed a Complaint against Barrett Business Services, Inc. (“BBSI” or the “Company”), and authorize the filing of a comparable complaint on my behalf.

3. I did not purchase or acquire BBSI securities at the direction of plaintiffs counsel or in order to participate in any private action arising under the Securities Act or Exchange Act.

4. I am willing to serve as a representative party on behalf of a Class of investors who purchased or acquired BBSI securities during the class period, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action.

5. To the best of my current knowledge, the attached sheet lists all of my transactions in BBSI securities during the Class Period as specified in the Complaint.

6. During the three-year period preceding the date on which this Certification is signed, I have not sought to serve as a representative party on behalf of a class under the federal securities laws.

7. I agree not to accept any payment for serving as a representative party on behalf of the class as set forth in the Complaint, beyond my pro rata share of any recovery, except such reasonable costs and expenses directly relating to the representation of the class as ordered or approved by the Court.

8. I declare under penalty of perjury that the foregoing is true and correct.

Executed November 14, 2014  
(Date)



(Signature)

SHIVA STEIN  
(Type or Print Name)

**BARRETT BUSINESS SERVICES, INC. (BBSI)**

**Stein, Shiva**

**LIST OF PURCHASES AND SALES**

<b>DATE</b>	<b>PURCHASE OR SALE</b>	<b>NUMBER OF SHS/UTS</b>	<b>PRICE PER SH/UT</b>
6/11/2014	PUR	5	\$48.3399

stein1